RISK WEB

Risk Plan

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Guide

What is a Risk Plan?

A Risk Plan outlines the foreseeable business risks and provides a set of actions to be taken to both prevent the risk from occurring and reduce the impact of the risk should it eventuate. More specifically, the plan includes:

- *A full list of all of the foreseeable risks*
- *A rating of the likelihood of each risk's occurring*
- *A rating of the impact should each risk actually occur*
- *A priority rating of the overall importance of each risk*
- *A set of preventative actions to reduce the likelihood of the risk's occurring*
- *A set of contingent actions to reduce the impact should the risk eventuate*
- *A process for managing risks.*

When to use a Risk Plan

A Risk Plan should be documented and implemented throughout all processes/division of business. The plan is undertaken prior to the operational phase to ensure that any risks identified are addressed during the operational phase itself. Immediately after the plan has been documented, the Risk Management Process will be engaged to monitor and control the likelihood and impact of risks on the business.

How to use this template

This document provides a guide on the topics usually included in a Risk Plan.

1 Risk Identification

The first step in creating a Risk Plan is to identify the likely risks which may affect the business. A series of risk categories is identified and for each category a suite of potential risks is listed. This may take place during a 'Risk Planning' workshop, involving each of the key stakeholders who are involved in / affected by the business. This may include the project sponsors, managers, labour, suppliers, and in some cases, even the customer. Each of the risks identified is described in detail and documented within the Risk Plan.

1.1 Definition

"A *risk* is defined as any event which is likely to affect the ability of the business to achieve its defined objectives".

1.2 Categories

Identify the likely categories of risks for this project. Each risk category is a particular aspect of the business which is likely to experience a risk during the lifecycle of the business. Examples of typical risk categories include:

- Requirements
- Benefits
- Schedules
- Budgets and/or Finances
- Deliverables
- Scope
- Issues
- Suppliers and/or Customers
- Acceptance
- Communication
- Resources etc.

1.3 Risks

Identify the likely risks for each category provided above by completing the following table. Each risk identified should be allocated a unique identifier (id) number.

Category	Description	Id
Requirements	• The requirements have not been clearly specified • The requirements specified do not match the customer's needs • The requirements specified are not measurable	1.1 1.2 1.3
Benefits	• The business benefits have not been identified • The business benefits are not quantifiable • The final solution delivered does not achieve the required benefits	2.1 2.2 2.3
Schedule	• The schedule doesn't provide enough time to complete the project • The schedule doesn't list all of the activities and tasks required • The schedule doesn't provide accurate dependencies	3.1 3.2 3.3
Budget	• The project exceeds the budget allocated • There is unaccounted expenditure on the project • There is no single resource accountable for recording budgeted spending	4.1 4.2 4.3
Deliverables	• The deliverables required by the project are not clearly defined • Clear quality criteria for each deliverable have not been defined • The deliverable produced doesn't meet the quality criteria defined	5.1 5.2 5.3
Scope	• The scope of the project is not clearly outlined • The project is not undertaken within the agreed scope • Project changes negatively impact on the project	6.1 6.2 6.3
Issues	• Project issues are not resolved within an appropriate timescale • Similar issues continually reappear throughout the project • Unresolved issues become new risks to the project	7.1 7.2 7.3
Suppliers	• The expectations for supplier delivery are not defined • Suppliers do not meet the expectations defined • Supplier issues negatively impact on the project	8.1 8.2 8.3
Acceptance	• The criteria for accepting project deliverables aren't clearly defined • Customers do not accept the final deliverables of the project • The acceptance process leaves the customer dissatisfied	9.1 9.2 9.3
Communication	• Lack of controlled communication causes project issues • Key project stakeholders are 'left in the dark' about progress	10.1 10.2 10.3
Resource	• Staff allocated to the project are not suitably skilled • Insufficient equipment is available to undertake the project • There is a shortage of materials available when required	11.1 11.2 11.3

2 Risk Quantification

The next step is to quantify the likelihood of each risk's eventuating and its impact on the business and surrounding environment. Each risk is prioritized according to the likelihood and impact rating and the low, medium and high priority risks are clearly marked for attention.

2.1 Likelihood

Describe the scoring system for measuring the ‘likelihood’ of the risk eventuating. Example:

Title	Score	Description
Very Low	20	Highly unlikely to occur; however, still needs to be monitored as certain circumstances could result in this risk becoming more likely to occur
Low	40	Unlikely to occur, based on current information, as the circumstances likely to trigger the risk are also unlikely to occur
Medium	60	Likely to occur as it is clear that the risk will probably eventuate
High	80	Very likely to occur, based on the circumstances of the business
Very High	100	Highly likely to occur as the circumstances which will cause this risk to eventuate are also very likely to be created

2.2 Impact

Describe the scoring system for measuring the ‘impact’ of the risk. Example:

Title	Score	Description
Very Low	20	Insignificant impact on the project. It is not possible to measure the impact on the business as it is minimal
Low	40	Minor impact on the business, e.g. < 5% deviation in scope, scheduled end-date or budget etc
Medium	60	Measurable impact on the business, e.g. 5-10% deviation in scope, scheduled end-date or project budget etc.
High	80	Significant impact on the project, e.g. 10-25% deviation in scope, scheduled end-date or business budget etc.
Very High	100	Major impact on the project, e.g. >25%% deviation in scope, scheduled end-date or business budget etc.

2.3 Priority

Establish the priority of each risk by identifying the likelihood of the risk's eventuating and its impact on the project. Once the likelihood and impact scores have been allocated, the priority score should be calculated as follows:

- *Priority* equals the average *Likelihood* and *Impact* score
- This is calculated as *Priority = (Likelihood + Impact) / 2*

Complete the following table (includes examples):

ID	Likelihood	Impact	Priority Score	Rating
1.1	20	80	50	Medium
1.2	80	60	70	High
1.3	100	40	70	High
2.1	40	20	30	Low
2.2	80	100	80	Very High
2.3	20	80	50	Medium

The Rating is based on the calculated Priority score. Use the following system to determine the Rating:

Priority Score	Priority Rating
0 – 20	Very low
21 – 40	Low
41 – 60	Medium
61 – 80	High
81 – 100	Very High

Finally, it is worth colour-coding the above final ratings to highlight the risks which require the most attention. The following system is used to colour-code the risks identified:

Priority Rating	Colour
Very low	Blue
Low	Green
Medium	Yellow
High	Orange
Very High	Red

3 Risk Plan

A Risk Plan must now be created which includes a set of actions to be taken to avoid, transfer or mitigate each risk, based on the priority of the risk assigned.

3.1 Schedule

For each risk identified and in priority order, list:
- the *preventative* actions to be taken to reduce the likelihood of the risk's occurring
- the *contingent* actions to be taken to reduce the impact should the risk eventuate

For each risk action identified, assign a resource responsible for undertaking the action and a date within which the action must be completed. For example:

Rating	ID	Preventative Actions	Action Resource	Action Date	Contingent Actions	Action Resource	Action Date
Very High	2.2	Clearly quantify the expected business benefits in the Business Case document	Risk Owner	*xx/yy/zz*	Measure the actual business benefits achieved by the actions	Process Manager	*xx/yy/zz*
High	1.2	Clearly specify the customer requirements in the Quality Plan	Process Manager	*xx/yy/zz*	Reconsider the requirements after the deliverable has been produced, measure any deviation and enhance the deliverable to meet the requirements	Process Manager	*xx/yy/zz*
High	1.3	Clearly specify the quality criteria used to determine that the stated requirements for each deliverable have been met within the Quality Plan	Quality Manager	*xx/yy/zz*	Reconsider the quality criteria after the deliverable has been produced, measure any deviation and enhance the deliverable to meet the quality criteria set	Quality Manager	*xx/yy/zz*

The above table should be completed for every risk identified. Higher priority risks should be assigned more comprehensive actions where possible.

4 Risk Process

(NB Refer to the InfinityGlobal.Net 'Risk Management Process' for a complete example)

4.1 Purpose

Describe the purpose of risk management and the general process for the identification and mitigation of risks within the Business.

4.2 Procedures

Provide a diagrammatic representation of the processes undertaken to identify and mitigate risks within the Business.

4.3 Responsibilities

Define the roles and responsibilities of all resources involved with the identification and mitigation of risks within the Business.

4.4 Register

The 'Risk Register' is a database which records and tracks the progress of all risks through to completion.

4.5 Templates

Insert a copy of each of the templates required to formally raise risks within the Business (e.g. Risk Form).

5 Appendix

Attach any documentation you believe is relevant to the Risk Plan. For example:

- Other documentation (Business Case, Feasibility Study, Terms of Reference, Project Plan, Resource Plan, Financial Plan, Quality Plan)
- Organizational Risk Management Policies, Standards, Guidelines or Procedures
- Risk documentation from other related projects
- Other relevant information or correspondence.